Canadian Northern Economic Development Agency

Quarterly Financial Report

For the quarter ended June 30, 2014

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and Canada's Economic Action Plan 2012 (Budget 2012).

Contributing to the jobs and growth in Canada, the Canadian Northern Economic Development Agency (CanNor) works to develop a diversified, sustainable and dynamic economy across Canada's three territories. It does this by delivering economic development programs, undertaking policy and research, and by collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations, and industry. This is particularly the case in resource development through its Northern Projects Management Office (NPMO).

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.cannor.gc.ca/eng/1387820400013/1387820480580, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/ems-sgd/me-bpd/20142015/me-bpdtb-eng.asp.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CanNor's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2014-2015 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. For 2014-2015, the Main Estimates were tabled on February 27, 2014.

This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the departmental performance reporting process, CanNor prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at June 30, 2014, total authorities available for fiscal year 2014-2015 amounted to $30.9M, a $20.8M reduction from the same point last year.

The large difference is primarily due to sunsetting in 2013-2014 of the Strategic Investments in Northern Economic Development (SINED) program funding, which included $17M in contribution funds and $2.9M in operating funds (Renewal of SINED was announced in Budget 2014 and was funded in 2014-2015 Supplementary Estimates A).

The remaining difference of $1.1M is the result of the following items: Additional funding for the Northern Projects Management Office (NPMO) project of $1.9M (although there was funding for 2013-2014 available it was not approved until 2013-2014 Supplementary Estimates C); new funding of $80K for the Economic Development Initiative (EDI); finally the sunsetting of the Community Infrastructure Improvement Fund (CIIF) resulted in a decrease of $3.2M. Other minor statutory and program adjustments make up the difference.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total budgetary expenditures recorded in the quarter ending June 30, 2014 increased by $74K, from $2.739M to $2.813M.

Personnel costs of $2.5M are very similar to the previous quarter. They also include $517k of isolated post allowances, and this amount is higher than the previous year by $133k particularly because of new hiring in the northern offices. The increase in isolated post allowances offsets a net decrease in salaries of approximately the same amount.

Transfer payments decreased by $104K in the quarter. This decrease relates to timing differences for contribution payments. The other differences are highlighted below.

Non-transfer payment reporting objects reflected an overall increase in expenses of $178K. The reporting objects to highlight are:

1) Transportation and communications decreased by $48k in the first quarter, mostly because of lower travel and delayed payments for travel expenses resulting from the implementation of the new financial and travel systems.
2) Professional and Special Services costs are $33K lower as a result of timing differences with invoicing from other governmental service partners.
3) The increase of $264K in other subsidies and payments is mainly due to a one-time transition payment of $262K for implementing salary payment in arrears by the Government of Canada.

All other reporting objects had only minor differences.

Risks and Uncertainties

Business development in the North needs to deal with the complexities related to remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure and labour market gaps.

Program delivery in the North therefore requires a strong focus on risk management and mitigation.

The Canadian Northern Economic Development Agency's updated Corporate Risk Profile and revised risk assessment is presented in the 2014-15 Report on Plans and Priorities. The revised risk profile is in direct response to the increasingly dynamic and unique environment in which the Agency operates and is reflective of the Agency's immediate reality.

CanNor has identified the following key risk areas in the 2014-2015 Report on Plans and Priorities:

1. *Alignment of CanNor Activities with Priorities and Needs*
   - Organizational alignment of activities, priorities and resources to meet service expectations and organizational priorities

2. *Performance Measurement*
   - Efficient measurement and reporting of program effectiveness.

3. *Operational Environment*
   - Reflective of the challenges in delivering economic development programming and regulatory coordination services in the Arctic.

4. *Relationships with Clients, Partners and Stakeholders*
   - Establishment and maintenance of enriched relationships with key clients, partners, and stakeholders across governmental jurisdictions, private sector and aboriginal communities.

5. *Legal, Statutory and Land Claims*
   - Legislation, regulation, court decisions, major policy initiatives, constitutionally protected comprehensive land claim agreements, as well as First Nations government arrangements.

Further details on these risks and how CanNor plans to manage and mitigate these risks can be found in the Report on Plans and Priorities for the Agency.

CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to increase the pace of project review and disbursements of contribution programs in order to reduce the risk of year-end lapses.

Significant changes in relation to operations, personnel and programs

Budget 2012 Implementation

The Canadian Northern Economic Development Agency has achieved total Budget 2012 savings of $2.4M last fiscal year by reducing and optimizing office space, implementing more efficient business processes, reducing program funding to respond to a degree of overlap and duplication, and more closely aligning resources to its core mandate.

New President

On July 2, 2014, Janet King started as the new President of the Canadian Northern Economic Development Agency.

Approved by:

Janet King
President
Ottawa, Canada
August 15, 2014

Yves Robineau CPA, CA
Chief Financial Officer

STATEMENT OF AUTHORITIES
(unaudited)

(In thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year- to-date used at quarter-end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year- to-date used at quarter-end
Vote 1 - Net Operating	11,230	2,545	2,545	12,103	2,379	2,379
Vote 5 - Transfer payments	18,642	0	0	38,664	104	104
Budgetary statutory authorities	1,073	268	268	1,024	256	256
Total Budgetary authorities	**30,945**	**2,813**	**2,813**	**51,791**	**2,739**	**2,739**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	**30,945**	**2,813**	**2,813**	**51,791**	**2,739**	**2,739**

* *includes only Authorities available for use and granted by Parliament at quarter-end.*

Departmental budgetary expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Used during the quarter ended June 30, 2014	Year- to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Used during the quarter ended June 30, 2013	Year- to-date used at quarter-end
Expenditures:						
Personnel	7,573	2,497	2,497	6,907	2,506	2,506
Transportation and communications	1,318	14	14	1,900	62	62
Information	34	7	7	100	9	9
Professional and special services	2,366	17	17	2,400	50	50
Rentals	627	0	0	1,300	4	4
Repair and maintenance	145	13	13	70	0	0
Utilities, materials and supplies	78	1	1	150	4	4
Acquisition of land, buildings and works	0	0	0	100	0	0
Acquisition of machinery and equipment	160	0	0	100	0	0
Transfer payments	18,642	0	0	38,664	104	104
Public Debt charges	0	0	0	0	0	0
Other subsidies and payments	2	264	264	100	0	0
Total budgetary expenditures	**30,945**	**2,813**	**2,813**	**51,791**	**2,739**	**2,739**